

**City of Standish**

**Standish, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2008**

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**City of Standish**  
**List of Elected and Appointed Officials**  
**June 30, 2008**

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City Council

Kevin King	Mayor
Jerry Nelson	Mayor Pro-Tem
Clark Sanford	Councilmember
Mark Winslow	Councilmember
Doug Ireland	Councilmember
Lester Cousineau	Councilmember
Richard Vollbach, Jr.	Councilmember

## **Independent Auditors' Report**

City Council  
City of Standish  
P.O. Box 726

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Standish as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Standish's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Standish as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the City of Standish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Standish's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

December 19, 2008

Saginaw, Michigan

**City of Standish**  
**Statement of Net Assets**  
**June 30, 2008**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
<b>Assets</b>				
Cash and cash equivalents	\$ 1,140,203	\$ 234,126	\$ 1,374,329	\$ 4,697
Receivables				
Customers	10,542	210,627	221,169	-
Special assessments	16,669	-	16,669	-
Due from other units of government	87,988	105,795	193,783	-
Due from component unit	-	-	-	62,555
Capital assets not being depreciated	701,160	6,177,576	6,878,736	-
Capital assets being depreciated, net	5,324,044	7,790,621	13,114,665	-
Total assets	<u>7,280,606</u>	<u>14,518,745</u>	<u>21,799,351</u>	<u>67,252</u>
<b>Liabilities</b>				
Accounts payable	344,706	367,242	711,948	-
Accrued and other liabilities	24,605	66,131	90,736	-
Due to component unit	62,555	-	62,555	-
Due to other units of government	785,944	-	785,944	-
Noncurrent liabilities				
Due within one year	63,690	140,500	204,190	-
Due in more than one year	2,583,155	4,817,500	7,400,655	-
Total liabilities	<u>3,864,655</u>	<u>5,391,373</u>	<u>9,256,028</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	-	9,010,197	9,010,197	-
Unrestricted	3,415,951	117,175	3,533,126	67,252
Total net assets	<u>\$ 3,415,951</u>	<u>\$ 9,127,372</u>	<u>\$ 12,543,323</u>	<u>\$ 67,252</u>

See Accompanying Notes to Financial Statements

**City of Standish**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
Governmental activities								
General government	\$ 561,515	\$ -	\$ -	\$ -	\$ (561,515)	\$ -	\$ (561,515)	\$ -
Public safety	144,604	-	146,558	-	1,954	-	1,954	-
Public works	555,500	75,629	-	141,065	(338,806)	-	(338,806)	-
Community and economic development	6,988	-	-	158,566	151,578	-	151,578	-
Recreation and culture	9,194	-	-	-	(9,194)	-	(9,194)	-
Interest on long-term debt	86,864	-	-	-	(86,864)	-	(86,864)	-
Total governmental activities	1,364,665	75,629	146,558	299,631	(842,847)	-	(842,847)	-
Business-type activities								
Sewer	816,222	425,751	-	-	-	(390,471)	(390,471)	-
Water	481,892	636,931	536,898	-	-	691,937	691,937	-
Total business-type activities	1,298,114	1,062,682	536,898	-	-	301,466	301,466	-
Total primary government	\$ 2,662,779	\$ 1,138,311	\$ 683,456	\$ 299,631	(842,847)	301,466	(541,381)	-
<b>Component unit</b>								
Downtown Development Authority	\$ 47,455	\$ -	\$ -	\$ -				(47,455)
General revenues								
Property taxes					647,787	-	647,787	44,789
State shared revenue					203,132	-	203,132	-
Unrestricted investment earnings					4,623	-	4,623	489
Miscellaneous					168,279	22,431	190,710	4,863
Transfers					256,500	(256,500)	-	-
Total general revenues and transfers					1,280,321	(234,069)	1,046,252	50,141
Change in net assets					437,474	67,397	504,871	2,686
Net assets - beginning of year					2,846,461	9,191,991	12,038,452	64,566
Prior period adjustment					132,016	(132,016)	-	-
Net assets - beginning of year (restated)					2,978,477	9,059,975	12,038,452	64,566
Net assets - end of year					\$ 3,415,951	\$ 9,127,372	\$ 12,543,323	\$ 67,252

See Accompanying Notes to Financial Statements



**City of Standish**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2008**

		Special Revenue Funds		Capital Project Fund		
	General	Major Street Fund	Local Street Fund	Street Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 450,816	\$ 204,628	\$ 14,506	\$ 453,553	\$ 16,700	\$ 1,140,203
Receivables						
Customers	-	-	-	-	10,542	10,542
Special assessments	-	-	-	-	16,669	16,669
Due from other units of government	63,984	17,980	6,024	-	-	87,988
Total assets	<u>\$ 514,800</u>	<u>\$ 222,608</u>	<u>\$ 20,530</u>	<u>\$ 453,553</u>	<u>\$ 43,911</u>	<u>\$ 1,255,402</u>
<b>Liabilities</b>						
Accounts payable	\$ 17,460	\$ -	\$ -	\$ 300,004	\$ 27,242	\$ 344,706
Accrued and other liabilities	11,552	148	505	-	-	12,205
Due to component unit	62,555	-	-	-	-	62,555
Due to other units of government	-	-	-	785,944	-	785,944
Deferred revenue	39,228	-	-	-	16,669	55,897
Total liabilities	<u>130,795</u>	<u>148</u>	<u>505</u>	<u>1,085,948</u>	<u>43,911</u>	<u>1,261,307</u>
<b>Fund Balances (Deficit)</b>						
Unreserved, reported in:						
General fund	384,005	-	-	-	-	384,005
Special revenue funds	-	222,460	20,025	(632,395)	-	(389,910)
Total fund balances (deficit)	<u>384,005</u>	<u>222,460</u>	<u>20,025</u>	<u>(632,395)</u>	<u>-</u>	<u>(5,905)</u>
Total liabilities and fund balances	<u>\$ 514,800</u>	<u>\$ 222,608</u>	<u>\$ 20,530</u>	<u>\$ 453,553</u>	<u>\$ 43,911</u>	<u>\$ 1,255,402</u>

See Accompanying Notes to Financial Statements

**City of Standish  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Assets of Governmental Activities  
June 30, 2008**

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<b>Total fund balances for governmental funds</b>	\$ (5,905)
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,025,204
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	55,897
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(12,400)
Compensated absences	(22,400)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(2,624,445)</u>
<b>Net assets of governmental activities</b>	<u>\$ 3,415,951</u>

**City of Standish**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

		Special Revenue Funds		Capital Project Fund		
	General	Major Street Fund	Local Street Fund	Street Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 598,763	\$ -	\$ -	\$ -	\$ 49,024	\$ 647,787
Licenses and permits	23,368	-	-	-	-	23,368
Federal grants	-	-	-	141,065	-	141,065
State revenue sharing	200,360	-	-	-	-	200,360
Other state grants	-	128,129	42,897	158,566	-	329,592
Charges for services	6,566	-	-	-	39,366	45,932
Interest income	3,194	-	-	249	1,180	4,623
Rental income	12,420	-	-	-	-	12,420
Other revenue	155,585	240	-	-	7,454	163,279
Total revenues	<u>1,000,256</u>	<u>128,369</u>	<u>42,897</u>	<u>299,880</u>	<u>97,024</u>	<u>1,568,426</u>
<b>Expenditures</b>						
Current						
General government	536,203	-	-	-	-	536,203
Public safety	173,524	-	-	-	-	173,524
Public works	294,709	26,472	35,926	-	42,686	399,793
Community and economic development	6,988	-	-	-	-	6,988
Recreation and culture	4,324	-	-	-	-	4,324
Capital outlay	2,065	5,038	7,045	2,191,692	-	2,205,840
Debt service						
Principal retirement	32,429	-	-	-	30,000	62,429
Interest and fiscal charges	6,365	-	-	25,616	54,383	86,364
Total expenditures	<u>1,056,607</u>	<u>31,510</u>	<u>42,971</u>	<u>2,217,308</u>	<u>127,069</u>	<u>3,475,465</u>
Excess (deficiency) of revenues over expenditures	<u>(56,351)</u>	<u>96,859</u>	<u>(74)</u>	<u>(1,917,428)</u>	<u>(30,045)</u>	<u>(1,907,039)</u>

See Accompanying Notes to Financial Statements

**City of Standish**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

		Special Revenue Funds		Capital Project Fund		
	General	Major Street Fund	Local Street Fund	Street Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>						
Transfers in	256,500	-	15,000	-	15,430	286,930
Transfers out	(30,430)	-	-	-	-	(30,430)
Issuance of debt	28,920	-	-	1,620,000	-	1,648,920
Sale of fixed assets	5,000	-	-	-	-	5,000
 Total other financing sources and uses	 259,990	 -	 15,000	 1,620,000	 15,430	 1,910,420
 Net change in fund balance (deficit)	 203,639	 96,859	 14,926	 (297,428)	 (14,615)	 3,381
 Fund balance (deficit) - beginning of year	 48,350	 125,601	 5,099	 (334,967)	 14,615	 (141,302)
 Prior period adjustment	 132,016	 -	 -	 -	 -	 132,016
 Fund balance (deficit) - beginning of year restated	 180,366	 125,601	 5,099	 (334,967)	 14,615	 (9,286)
 Fund balance (deficit) - end of year	 \$ 384,005	 \$ 222,460	 \$ 20,025	 \$ (632,395)	 \$ -	 \$ (5,905)

**City of Standish**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 3,381</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(162,341)
Capital outlay	2,220,612
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	2,772
Special assessments	(6,091)
Grants	(24,468)
Expenses are recorded when incurred in the statement of activities	
Accrued interest	(500)
Compensated absences	(9,600)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Debt issued	(1,648,920)
Repayments of long-term debt	62,629
<b>Change in net assets of governmental activities</b>	<b><u>\$ 437,474</u></b>

**City of Standish  
Proprietary Funds  
Statement of Net Assets  
June 30, 2008**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 234,126	\$ -	\$ 234,126
Receivables			
Customers	81,982	128,645	210,627
Due from other units of government	-	105,795	105,795
Total current assets	<u>316,108</u>	<u>234,440</u>	<u>550,548</u>
Noncurrent assets			
Non-depreciable capital assets	-	6,177,576	6,177,576
Depreciable capital assets, net	6,290,404	1,500,217	7,790,621
Total noncurrent assets	<u>6,290,404</u>	<u>7,677,793</u>	<u>13,968,197</u>
Total assets	<u>6,606,512</u>	<u>7,912,233</u>	<u>14,518,745</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	10,147	357,095	367,242
Accrued and other liabilities	29,325	36,806	66,131
Current portion of noncurrent liabilities	57,000	83,500	140,500
Total current liabilities	<u>96,472</u>	<u>477,401</u>	<u>573,873</u>
Noncurrent liabilities			
Long-term debt net of current portion	1,770,000	3,047,500	4,817,500
Total liabilities	<u>1,866,472</u>	<u>3,524,901</u>	<u>5,391,373</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,463,404	4,546,793	9,010,197
Unrestricted (deficit)	276,636	(159,461)	117,175
Total net assets	<u>\$ 4,740,040</u>	<u>\$ 4,387,332</u>	<u>\$ 9,127,372</u>

**City of Standish**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2008**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 376,058	\$ 636,931	\$ 1,012,989
Other revenue	56,121	16,003	72,124
Total operating revenue	432,179	652,934	1,085,113
<b>Operating expenses</b>			
Personnel services	97,270	89,866	187,136
Supplies	37,683	108,709	146,392
Contractual services	84,061	11,084	95,145
Utilities	58,584	30,423	89,007
Repairs and maintenance	-	6,739	6,739
Other expenses	13,033	34,723	47,756
Depreciation	438,050	55,993	494,043
Total operating expenses	728,681	337,537	1,066,218
Operating income (loss)	(296,502)	315,397	18,895
<b>Nonoperating revenue (expenses)</b>			
Interest expense	(87,541)	(144,355)	(231,896)
Income (loss) before contributions and transfers out	(384,043)	171,042	(213,001)
Capital contributions	-	536,898	536,898
Transfers out	(82,500)	(174,000)	(256,500)
Change in net assets	(466,543)	533,940	67,397
Net assets - beginning of year	5,265,409	3,926,582	9,191,991
Prior period adjustment	(58,826)	(73,190)	(132,016)
Net assets - beginning of year restated	5,206,583	3,853,392	9,059,975
Net assets - end of year	\$ 4,740,040	\$ 4,387,332	\$ 9,127,372

See Accompanying Notes to Financial Statements

**City of Standish  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 429,040	\$ 647,793	\$ 1,076,833
Receipts from other funds	(56,368)	(73,190)	(129,558)
Payments to other funds	-	-	-
Payments to suppliers	(182,990)	(136,028)	(319,018)
Payments to employees	(97,270)	(89,866)	(187,136)
Net cash provided (used) by operating activities	<u>92,412</u>	<u>348,709</u>	<u>441,121</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	<u>(82,500)</u>	<u>(174,000)</u>	<u>(256,500)</u>
<b>Cash flows from capital and related financing activities</b>			
Capital contributions	-	536,898	536,898
Purchases/construction of capital assets	-	(467,751)	(467,751)
Principal and interest paid on long-term debt	<u>(140,541)</u>	<u>(243,856)</u>	<u>(384,397)</u>
Net cash provided (used) by capital and related financing activities	<u>(140,541)</u>	<u>(174,709)</u>	<u>(315,250)</u>
Net increase (decrease) in cash and cash equivalents	(130,629)	-	(130,629)
Cash and cash equivalents - beginning of year	<u>364,755</u>	<u>-</u>	<u>364,755</u>
Cash and cash equivalents - end of year	<u>\$ 234,126</u>	<u>\$ -</u>	<u>\$ 234,126</u>



**City of Standish  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (296,502)	\$ 315,397	\$ 18,895
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	438,050	55,993	494,043
Prior period adjustment	-	-	-
Changes in assets and liabilities			
Receivables (net)	(3,139)	(2,243)	(5,382)
Due from other units of government	-	(2,898)	(2,898)
Due from other funds	(56,368)	(73,190)	(129,558)
Accounts payable	9,576	57,271	66,847
Accrued and other liabilities	795	(1,621)	(826)
Net cash provided (used) by operating activities	<u>\$ 92,412</u>	<u>\$ 348,709</u>	<u>\$ 441,121</u>

**City of Standish**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2008**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 26,674
Due from other units of government	<u>115,901</u>
 Total assets	 <u><u>\$ 142,575</u></u>
 <b>Liabilities</b>	
Due to other units of government	<u>\$ 142,575</u>

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

City of Standish is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Units** –The City of Standish Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

**Discretely Presented Component Units** – The component unit column in the entity wide financial statements include the financial data of the City's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the City of Standish annual financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**City of Standish**  
**Notes to Financial Statements**  
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**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state shared gas and weight taxes.

The Street Capital Project Fund handles construction and significant maintenance of the Major and Local Street Funds.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue fund, Rubbish Collection Fund, accounts for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Fund accounts for the accumulation of resources for, and payment of governmental activities principal,

**City of Standish**  
**Notes to Financial Statements**  
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interest and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the

portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**City of Standish**  
**Notes to Financial Statements**  
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The 2007 taxable valuation of the government totaled \$39,593,432, on which ad valorem taxes consisted of 15.5000 mills for operating purposes and 1.2242 mills for street debt service. This resulted in \$613,700 for operating expenses and \$48,500 for street debt service exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

**Capital assets** – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

**Compensated absences** – Full time regular employees will be credited with Paid Time Off hours each pay period earning no more than 288 hours per year. An employee can accrue up to 50% of his/her annual

number of allocated hours for any given year; however, at no time shall the accrued balance exceed 432 hours. All accumulated paid time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

**Long-term obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Comparative data**

Comparative data is not included in the government's financial statements.

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits other than Pensions. The new pronouncement provides guidance for governments in recognizing the cost of retiree health care. The new rules will cause government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause government-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause government-wide financial statements to include

intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to May 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The City transferred more than the budgeted amount to other funds by \$15,430 from the general fund.

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

**Deficit Fund Balance**

The City has accumulated a net asset deficit in the Street Capital Project Fund. The City is evaluating the possible options to eliminate the deficit as of the date of this report.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 1,140,203
Business-type activities	234,126
Total primary government	1,374,329
Fiduciary funds	26,674
Component unit	4,697
Total	<u>\$ 1,405,700</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,366,811	\$ 26,674
Petty cash and cash on hand	7,518	-
	<u>\$ 1,374,329</u>	<u>\$ 26,674</u>

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*Concentration of credit risk* – The government's policy states that no more than 60% of the City's total investment portfolio be invested in a single security type and no more than 80% with a single financial institution.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$1,101,094 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Primary government</b>		
Special assessments	<u>\$ 16,669</u>	Debt Service

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
State shared revenue	\$ 39,228
Special assessments	<u>16,669</u>
	<u>\$ 55,897</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 701,160	\$ -	\$ -	\$ 701,160
Construction in progress	484,131	-	484,131	-
Total capital assets not being depreciated	<u>1,185,291</u>	<u>-</u>	<u>484,131</u>	<u>701,160</u>
Capital assets being depreciated				
Land improvements	148,906	-	-	148,906
Infrastructure	1,794,850	2,675,823	-	4,470,673
Buildings, additions and improvements	1,431,948	-	-	1,431,948
Machinery and equipment	991,328	28,920	-	1,020,248
Total capital assets being depreciated	<u>4,367,032</u>	<u>2,704,743</u>	<u>-</u>	<u>7,071,775</u>
Less accumulated depreciation for				
Land improvements	115,884	2,063	-	117,947
Infrastructure	142,735	100,473	-	243,208
Buildings, additions and improvements	486,178	23,512	-	509,690
Machinery and equipment	840,593	36,293	-	876,886
Total accumulated depreciation	<u>1,585,390</u>	<u>162,341</u>	<u>-</u>	<u>1,747,731</u>
Net capital assets being depreciated	<u>2,781,642</u>	<u>2,542,402</u>	<u>-</u>	<u>5,324,044</u>
Governmental activities capital assets, net	<u>\$ 3,966,933</u>	<u>\$ 2,542,402</u>	<u>\$ 484,131</u>	<u>\$ 6,025,204</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 5,709,825	\$ 467,751	\$ -	\$ 6,177,576
Capital assets being depreciated				
Water system	2,539,313	-	-	2,539,313
Sewer system	12,425,005	-	-	12,425,005
Total capital assets being depreciated	<u>14,964,318</u>	<u>-</u>	<u>-</u>	<u>14,964,318</u>
Less accumulated depreciation for				
Water system	983,103	55,993	-	1,039,096
Sewer system	5,696,551	438,050	-	6,134,601
Total accumulated depreciation	<u>6,679,654</u>	<u>494,043</u>	<u>-</u>	<u>7,173,697</u>
Net capital assets being depreciated	<u>8,284,664</u>	<u>(494,043)</u>	<u>-</u>	<u>7,790,621</u>
Business-type capital assets, net	<u>\$ 13,994,489</u>	<u>\$ (26,292)</u>	<u>\$ -</u>	<u>\$ 13,968,197</u>

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 11,364
Public works	146,107
Recreation and culture	<u>4,870</u>
Total governmental activities	<u>162,341</u>

**Business-type activities**

Sewer	438,050
Water	<u>55,993</u>
Total business-type activities	<u>494,043</u>
Total primary government	<u><u>\$ 656,384</u></u>

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Local Street	\$ 15,000
General	Trash	1,275
General	Street Debt	14,155
Water	General	174,000
Sewer	General	<u>82,500</u>
		<u><u>\$ 286,930</u></u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due from/to other funds</b>		
Component Unit	General Fund	<u><u>\$ 62,555</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

**NOTE 8 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
1997 Bond	\$ 75,000	1/1/11	5.20-5.40%	\$5,000 - \$10,000	\$ 30,000	\$ -	\$ 5,000	\$ 25,000	\$ 10,000
Building authority bonds	260,000	9/1/15	5.30-5.80%	15,000 - 25,000	165,000	-	15,000	150,000	15,000
Capital improvement bonds	875,000	10/1/29	4.40%	28,000 - 50,000	825,000	-	25,000	800,000	25,000
Street improvement bonds	1,620,000	5/1/25	3.50-4.75%	100,000 - 535,000	-	1,620,000	-	1,620,000	-
Installment loan - Silverado	13,470	5/22/09	4.49%	4,509	8,813	-	4,504	4,309	4,309
Installment loan - Dodge Charger	28,920	1/29/11	4.50%	5,937-9,818	-	28,920	3,784	25,136	9,381
Capitalized lease - Sweeper	157,330	8/1/07	4.76%	9,341	9,341	-	9,341	-	-
Total bonds and leases payable					1,038,154	1,648,920	62,629	2,624,445	63,690
Compensated absences					12,800	22,400	12,800	22,400	-
Total governmental activities					<u>\$ 1,050,954</u>	<u>\$ 1,671,320</u>	<u>\$ 75,429</u>	<u>\$ 2,646,845</u>	<u>\$ 63,690</u>
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
1999 Water	\$ 1,308,000	11/1/24	4.75%	\$46,000 - \$98,000	\$ 1,122,000	\$ -	\$ 43,000	\$ 1,079,000	\$ 46,000
Limited tax general obligation bonds									
2005-A Water supply bonds	2,383,000	11/1/44	4.50%	25,500 - 123,000	2,337,000	-	24,500	2,312,500	25,500
2005-B Water supply bonds	740,000	11/1/44	4.50%	8000 - 39,000	726,000	-	7,500	718,500	8,000
Revenue bonds									
1998 Sewer	400,000	11/1/38	4.75%	5,000 - 23,000	369,000	-	5,000	364,000	5,000
2000 Sewer	425,000	11/1/38	4.75%	6,000 - 22,000	389,000	-	5,000	384,000	6,000
1994 Water	450,000	11/1/09	5.6-5.90%	45,000 - 50,000	145,000	-	45,000	100,000	50,000
Total business-type activities					<u>\$ 5,088,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 4,958,000</u>	<u>\$ 140,500</u>

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 63,690	\$ 46,173	\$ 140,500	\$ 223,394
2010	54,818	43,250	143,000	216,379
2011	50,937	40,910	98,500	209,098
2012	55,000	38,425	104,000	204,511
2013	50,000	35,468	108,000	199,667
2014 - 2018	1,075,000	140,678	625,000	917,672
2019 - 2023	545,000	95,480	788,000	757,567
2019 - 2028	630,000	51,480	572,000	583,998
2029 - 2033	100,000	6,600	593,500	460,732
2033 - 2034	-	-	743,500	312,129
2034 - 2038	-	-	724,500	140,488
2038 - 2042	-	-	317,500	21,376
	<u>\$ 2,624,445</u>	<u>\$ 498,464</u>	<u>\$ 4,958,000</u>	<u>\$ 4,247,011</u>

**NOTE 10 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**Defined benefit pension plan**

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 6 percent of gross wages for General, and Police and Fire employees.

Annual pension costs – For year ended 2008, the government's annual pension cost of \$11,567 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the actual age cost method. Significant actuarial assumptions used include: 1) a 8% investment rate of return; 2) projected salary increases of 4.5 percent per year; and 3) 2.5 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**City of Standish**  
**Notes to Financial Statements**  
**June 30, 2008**

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Three year trend information as of December follows:

	<u>2007</u>		<u>2006</u>		<u>2005</u>
Annual pension cost	\$ 39,310	\$	53,565	\$	22,395
Percentage of APC contributed	100%		100%		100%
Actuarial value of assets	1,480,978		1,403,259		1,331,884
Actuarial accrued liabilities	2,091,870		2,225,205		1,897,549
Unfunded AAL	610,892		821,946		565,665
Funded ratio	71.0%		63.0%		70.0%
Covered payroll	192,280		226,050		177,827
UAAL as a percentage of covered payroll	318%		364%		318%

The City of Standish has a defined contribution pension plan for City employees hired after January 1, 2001 through ICMA. The City of Standish is the only non-employee contributor to the pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by state statute, all full-time municipal employees of the City must participate in the pension plan from the date they are hired. The City is required to contribute an amount equal to 6% of the employee's gross earnings, and up to an additional 3% based on employee contributions. The City's contributions for the year were approximately \$ 3,000.

**NOTE 13 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

In the prior year, City management inadvertently reversed administrative fees charged to the City's water and sewer funds by the general fund. The effect of this correction increased general fund balance by \$132,016 and decreased net assets \$58,826 and \$73,190 in the sewer fund and water fund, respectively.

**City of Standish**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 613,699	\$ 613,699	\$ 584,039	\$ (29,660)
Other taxes	10,943	10,943	13,279	2,336
Penalties and interest	597	597	1,445	848
Licenses and permits	9,100	9,100	23,368	14,268
State revenue sharing	220,244	220,244	200,360	(19,884)
Charges for services	6,075	6,075	6,566	491
Fines and forfeitures	336	336	-	(336)
Interest income	1,500	1,500	3,194	1,694
Rental income	13,548	13,548	12,420	(1,128)
Other revenue	55,085	55,085	155,585	100,500
Sale of fixed assets	-	-	5,000	5,000
Insurance recoveries	4,700	4,700	-	(4,700)
Bond/note proceeds	-	-	28,920	28,920
Transfer in	256,500	256,500	256,500	-
Total revenues	<u>1,192,327</u>	<u>1,192,327</u>	<u>1,290,676</u>	<u>98,349</u>

**City of Standish**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Expenditures</b>				
General government				
Township board	\$ 132,736	\$ 132,736	\$ 90,831	\$ (41,905)
Manager	169,225	169,225	144,843	(24,382)
Accounting	-	-	3,218	3,218
Clerk	108,086	108,086	93,668	(14,418)
Board of review	2,532	2,532	1,905	(627)
Treasurer	70,090	70,090	66,643	(3,447)
Assessor	30,174	30,174	24,573	(5,601)
Elections	6,480	6,480	-	(6,480)
Buildings and grounds	96,755	96,755	100,164	3,409
Cemetery	10,094	10,094	10,358	264
Total general government	<u>626,172</u>	<u>626,172</u>	<u>536,203</u>	<u>(89,969)</u>
Public safety				
Police	137,195	137,195	130,747	(6,448)
Fire department	<u>37,847</u>	<u>37,847</u>	<u>42,777</u>	<u>4,930</u>
Total public safety	<u>175,042</u>	<u>175,042</u>	<u>173,524</u>	<u>(1,518)</u>
Public works				
Department of public works	<u>300,992</u>	<u>300,992</u>	<u>294,709</u>	<u>(6,283)</u>
Community and economic development				
Planning	<u>15,469</u>	<u>15,469</u>	<u>6,988</u>	<u>(8,481)</u>

See Accompanying Notes to Financial Statements

**City of Standish**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Recreation and culture				
Parks and recreation	\$ 10,000	\$ 10,000	\$ 4,324	\$ (5,676)
Library	1,000	1,000	-	(1,000)
Total recreation and culture	11,000	11,000	4,324	(6,676)
Capital outlay	4,812	4,812	2,065	(2,747)
Debt service				
Principal retirement	29,000	29,000	32,429	3,429
Interest and fiscal charges	14,840	14,840	6,365	(8,475)
Total debt service	43,840	43,840	38,794	(5,046)
Transfers out	15,000	15,000	30,430	15,430
Total expenditures	1,192,327	1,192,327	1,087,037	(105,290)
Excess (deficiency) of revenues over expenditures	-	-	203,639	203,639
Fund balance - beginning of year	48,350	48,350	48,350	-
Prior period adjustment	132,016	132,016	132,016	-
Fund balance - beginning of year (restated)	180,366	180,366	180,366	-
Fund balance - end of year	\$ 180,366	\$ 180,366	\$ 384,005	\$ 203,639

See Accompanying Notes to Financial Statements



**City of Standish**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Other state grants	\$ 117,429	\$ 117,429	\$ 128,129	\$ 10,700
Other revenue	1,800	1,800	240	(1,560)
Total revenues	119,229	119,229	128,369	9,140
<b>Expenditures</b>				
Current				
Public works	33,685	33,685	26,472	(7,213)
Capital outlay	203,500	203,500	5,038	(198,462)
Total expenditures	237,185	237,185	31,510	(205,675)
Excess of revenues (deficiency) over expenditures	(117,956)	(117,956)	96,859	214,815
Fund balance - beginning of year	125,601	125,601	125,601	-
Fund balance - end of year	\$ 7,645	\$ 7,645	\$ 222,460	\$ 214,815

**City of Standish**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Other state grants	\$ 37,373	\$ 37,373	\$ 42,897	\$ 5,524
Transfers in	15,000	15,000	15,000	-
Total revenues	52,373	52,373	57,897	5,524
<b>Expenditures</b>				
Current				
Public works	52,373	52,373	35,926	(16,447)
Capital outlay	-	-	7,045	7,045
Total expenditures	52,373	52,373	42,971	(9,402)
Excess of revenues (deficiency) over expenditures	-	-	14,926	14,926
Fund balance - beginning of year	5,099	5,099	5,099	-
Fund balance - end of year	\$ 5,099	\$ 5,099	\$ 20,025	\$ 14,926

**City of Standish**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Rubbish Collection Fund	Street Debt Service Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 16,700	\$ 16,700
Receivables			
Customers	10,542	-	10,542
Special assessments	-	16,669	16,669
	<u>10,542</u>	<u>16,669</u>	<u>27,211</u>
Total assets	<u>\$ 10,542</u>	<u>\$ 33,369</u>	<u>\$ 43,911</u>
<b>Liabilities</b>			
Accounts payable	\$ 10,542	\$ 16,700	\$ 27,242
Deferred revenue	-	16,669	16,669
	<u>10,542</u>	<u>16,669</u>	<u>27,211</u>
Total liabilities	<u>\$ 10,542</u>	<u>\$ 33,369</u>	<u>\$ 43,911</u>

**City of Standish**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Rubbish Collection Fund	Street Debt Service Fund	
<b>Revenues</b>			
Taxes	\$ -	\$ 49,024	\$ 49,024
Charges for services	39,366	-	39,366
Interest income	-	1,180	1,180
Other revenue	-	7,454	7,454
Total revenues	<u>39,366</u>	<u>57,658</u>	<u>97,024</u>
<b>Expenditures</b>			
Current			
Public works	42,686	-	42,686
Debt service			
Principal retirement	-	30,000	30,000
Interest and fiscal charges	-	54,383	54,383
Total expenditures	<u>42,686</u>	<u>84,383</u>	<u>127,069</u>
Excess (deficiency) of revenues over expenditures	(3,320)	(26,725)	(30,045)
<b>Other financing sources (uses)</b>			
Transfers in	<u>1,275</u>	<u>14,155</u>	<u>15,430</u>
Net change in fund balance	(2,045)	(12,570)	(14,615)
Fund balance - beginning of year	<u>2,045</u>	<u>12,570</u>	<u>14,615</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**City of Standish**  
**Other Supplemental Information**  
**Component Unit - Downtown Development Authority**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 45,139	\$ 45,139	\$ 44,789	\$ (350)
Interest income	1,400	1,400	489	(911)
Other revenue	<u>3,461</u>	<u>3,461</u>	<u>4,863</u>	<u>1,402</u>
 Total revenues	 <u>50,000</u>	 <u>50,000</u>	 <u>50,141</u>	 <u>141</u>
<b>Expenditures</b>				
Current				
Community and economic development	<u>50,000</u>	<u>50,000</u>	<u>47,455</u>	<u>(2,545)</u>
 Excess (deficiency) of revenues over expenditures	 <u>-</u>	 <u>-</u>	 <u>2,686</u>	 <u>2,686</u>
 Fund balance - beginning of year	 <u>64,566</u>	 <u>64,566</u>	 <u>64,566</u>	 <u>-</u>
 Fund balance - end of year	 <u><u>\$ 64,566</u></u>	 <u><u>\$ 64,566</u></u>	 <u><u>\$ 67,252</u></u>	 <u><u>\$ 2,686</u></u>

See Accompanying Notes to Financial Statements

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Governmental Activities</b>						
Special assessment bonds -1997	5.20-5.40%					
		10/1/2008	\$ 10,000	\$ 664	\$ 401	\$ 11,065
		10/1/2009	5,000	401	269	5,670
		10/1/2010	5,000	269	135	5,404
		10/1/2011	5,000	135	-	5,135
			<u>25,000</u>	<u>1,469</u>	<u>805</u>	<u>27,274</u>
Building authority bonds	5.30-5.80%					
		9/1/2008	15,000	4,285	3,873	23,158
		9/1/2009	15,000	3,873	3,453	22,326
		9/1/2010	15,000	3,453	3,025	21,478
		9/1/2011	20,000	3,025	2,455	25,480
		9/1/2012	20,000	2,455	1,880	24,335
		9/1/2013	20,000	1,880	1,305	23,185
		9/1/2004	20,000	1,305	725	22,030
		9/1/2015	25,000	725	-	25,725
			<u>150,000</u>	<u>21,001</u>	<u>16,716</u>	<u>187,717</u>
2008 Capital Projects	3.5%-4.75%					
		10/1/2009	\$ -	\$ 34,020	\$ 34,020	\$ 68,040
		10/1/2010	-	34,020	34,020	68,040
		10/1/2011	-	34,020	34,020	68,040
		10/1/2012	-	34,020	34,020	68,040
		10/1/2013	-	34,020	34,020	68,040
		10/1/2014	-	34,020	34,020	68,040
		10/1/2015	535,000	34,020	34,020	603,040
		10/1/2016	100,000	23,328	23,328	146,655
		10/1/2017	105,000	21,424	21,424	147,848
		10/1/2018	110,000	19,448	19,448	148,896
		10/1/2019	115,000	17,325	17,325	149,650
		10/1/2020	-	15,010	15,010	30,021
		10/1/2021	245,000	15,010	15,010	275,021
		10/1/2022	-	9,584	9,584	19,168
		10/1/2023	-	9,584	9,584	19,168
		10/1/2024	145,000	9,584	9,584	164,168
		10/1/2025	265,000	6,095	6,095	277,190
			<u>1,620,000</u>	<u>384,531</u>	<u>384,531</u>	<u>2,389,063</u>

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Capital improvement bonds	4.40%					
		10/1/2008	25,000	17,600	17,050	59,650
		10/1/2009	25,000	17,050	16,500	58,550
		10/1/2010	25,000	16,500	15,950	57,450
		10/1/2011	30,000	15,950	15,290	61,240
		10/1/2012	30,000	15,290	14,630	59,920
		10/1/2013	30,000	14,630	13,970	58,600
		10/1/2014	30,000	13,970	13,310	57,280
		10/1/2015	30,000	13,310	12,650	55,960
		10/1/2016	35,000	12,650	11,880	59,530
		10/1/2017	35,000	11,880	11,110	57,990
		10/1/2018	35,000	11,110	10,340	56,450
		10/1/2019	35,000	10,340	9,570	54,910
		10/1/2020	35,000	9,570	8,800	53,370
		10/1/2021	40,000	8,800	7,920	56,720
		10/1/2022	40,000	7,920	7,040	54,960
		10/1/2023	40,000	7,040	6,160	53,200
		10/1/2024	45,000	6,160	5,170	56,330
		10/1/2025	45,000	5,170	4,180	54,350
		10/1/2026	45,000	4,180	3,190	52,370
		10/1/2027	45,000	3,190	2,200	50,390
		10/1/2028	50,000	2,200	1,100	53,300
		10/1/2029	50,000	1,100	-	51,100
			<u>800,000</u>	<u>225,610</u>	<u>208,010</u>	<u>1,233,620</u>
Installment loans - Charger	4.50%					
		6/30/2009	\$ 9,381	\$ 953	\$ -	\$ 10,334
		6/30/2010	9,818	515	-	10,333
		6/30/2011	<u>5,937</u>	<u>91</u>	<u>-</u>	<u>6,028</u>
			<u>25,136</u>	<u>1,559</u>	<u>-</u>	<u>26,695</u>
Installment loans - Silverado	4.49%					
		6/20/2009	\$ 4,309	\$ 96	\$ -	\$ 4,405
Total governmental activities			<u>\$ 2,624,445</u>	<u>\$ 634,266</u>	<u>\$ 610,062</u>	<u>\$ 3,868,774</u>

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Business-type Activities</b>						
2005-A Water supply bonds	4.50%					
		11/1/2008	\$ 25,500	\$ 52,031	\$ 52,031	\$ 129,562
		11/1/2009	26,500	51,458	51,458	129,416
		11/1/2010	28,000	50,861	50,861	129,722
		11/1/2011	29,000	50,231	50,231	129,462
		11/1/2012	30,500	49,579	49,579	129,658
		11/1/2013	31,500	48,893	48,893	129,286
		11/1/2014	33,000	48,184	48,184	129,368
		11/1/2015	34,500	47,441	47,441	129,382
		11/1/2016	36,000	46,665	46,665	129,330
		11/1/2017	38,000	45,855	45,855	129,710
		11/1/2018	39,500	45,000	45,000	129,500
		11/1/2019	41,500	44,111	44,111	129,722
		11/1/2020	43,000	43,178	43,178	129,356
		11/1/2021	45,000	42,210	42,210	129,420
		11/1/2022	47,000	41,198	41,198	129,396
		11/1/2023	49,000	40,140	40,140	129,280
		11/1/2024	51,500	39,038	39,038	129,576
		11/1/2025	53,500	37,879	37,879	129,258
		11/1/2026	56,000	36,675	36,675	129,350
		11/1/2027	58,500	35,415	35,415	129,330
		11/1/2028	61,500	34,099	34,099	129,698
		11/1/2029	64,000	32,715	32,715	129,430
		11/1/2030	67,000	31,275	31,275	129,550
		11/1/2031	70,000	29,768	29,768	129,536
		11/1/2032	73,000	28,193	28,193	129,386
		11/1/2033	76,500	26,550	26,550	129,600
		11/1/2034	80,000	24,829	24,829	129,658
		11/1/2035	83,500	23,029	23,029	129,558
		11/1/2036	87,000	21,150	21,150	129,300
		11/1/2037	91,000	19,193	19,193	129,386
		11/1/2038	95,000	17,145	17,145	129,290
		11/1/2039	99,500	15,008	15,008	129,516
		11/1/2040	104,000	12,769	12,769	129,538
		11/1/2041	108,500	10,429	10,429	129,358
		11/1/2042	113,500	7,988	7,988	129,476
		11/1/2043	118,500	5,434	5,434	129,368
		11/1/2044	123,000	2,768	2,768	128,536
			<u>2,312,500</u>	<u>1,238,384</u>	<u>1,238,384</u>	<u>4,789,268</u>



**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>		<u>Total</u>
2005-B Water supply bonds	4.50%	11/1/2008	\$ 8,000	\$ 16,166	\$ 16,166	\$ 40,332
		11/1/2009	8,500	15,986	15,986	40,472
		11/1/2010	8,500	15,795	15,795	40,090
		11/1/2011	9,000	15,604	15,604	40,208
		11/1/2012	9,500	15,401	15,401	40,302
		11/1/2013	10,000	15,188	15,188	40,376
		11/1/2014	10,500	14,963	14,963	40,426
		11/1/2015	11,000	14,988	14,988	40,976
		11/1/2016	11,000	14,479	14,479	39,958
		11/1/2017	11,500	14,231	14,231	39,962
		11/1/2018	12,000	13,973	13,973	39,946
		11/1/2019	13,000	13,703	13,703	40,406
		11/1/2020	13,500	13,410	13,410	40,320
		11/1/2021	14,000	13,106	13,106	40,212
		11/1/2022	14,500	12,791	12,791	40,082
		11/1/2023	15,500	12,465	12,465	40,430
		11/1/2024	16,000	12,116	12,116	40,232
		11/1/2025	16,500	11,756	11,756	40,012
		11/1/2026	17,500	11,385	11,385	40,270
		11/1/2027	18,000	10,991	10,991	39,982
		11/1/2028	19,000	10,586	10,586	40,172
		11/1/2029	20,000	10,159	10,159	40,318
		11/1/2030	21,000	9,709	9,709	40,418
		11/1/2031	21,500	9,236	9,236	39,972
		11/1/2032	22,500	8,753	8,753	40,006
		11/1/2033	23,500	8,246	8,246	39,992
		11/1/2034	25,000	7,718	7,718	40,436
		11/1/2035	26,000	7,155	7,155	40,310
		11/1/2036	27,000	6,570	6,570	40,140
		11/1/2037	28,000	5,963	5,963	39,926
		11/1/2038	29,500	5,333	5,333	40,166
		11/1/2039	31,000	4,669	4,669	40,338
		11/1/2040	32,000	3,971	3,971	39,942
		11/1/2041	33,500	3,251	3,251	40,002
		11/1/2042	35,000	2,498	2,498	39,996
		11/1/2043	37,000	1,710	1,710	40,420
		11/1/2044	39,000	878	878	40,756
			<u>718,500</u>	<u>384,902</u>	<u>384,902</u>	<u>1,488,304</u>

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>		<u>Total</u>
1998 Sewer revenue bonds	4.75%	11/1/2008	\$ 5,000	\$ 8,645	\$ 8,526	\$ 22,171
		11/1/2009	5,000	8,526	8,408	21,934
		11/1/2010	6,000	8,408	8,265	22,673
		11/1/2011	6,000	8,265	8,123	22,388
		11/1/2012	6,000	8,123	7,980	22,103
		11/1/2013	7,000	7,980	7,814	22,794
		11/1/2014	7,000	7,814	7,648	22,462
		11/1/2015	7,000	7,648	7,481	22,129
		11/1/2016	8,000	7,481	7,291	22,772
		11/1/2017	8,000	7,291	7,101	22,392
		11/1/2018	8,000	7,101	6,911	22,012
		11/1/2019	9,000	6,911	6,698	22,609
		11/1/2020	9,000	6,698	6,484	22,182
		11/1/2021	10,000	6,484	6,246	22,730
		11/1/2022	10,000	6,246	6,009	22,255
		11/1/2023	11,000	6,009	5,748	22,757
		11/1/2024	11,000	5,748	5,486	22,234
		11/1/2025	12,000	5,486	5,201	22,687
		11/1/2026	12,000	5,201	4,916	22,117
		11/1/2027	13,000	4,916	4,608	22,524
		11/1/2028	14,000	4,608	4,275	22,883
		11/1/2029	14,000	4,275	3,943	22,218
		11/1/2030	15,000	3,943	3,586	22,529
		11/1/2031	16,000	3,586	3,206	22,792
		11/1/2032	16,000	3,206	2,826	22,032
		11/1/2033	18,000	2,826	2,399	23,225
		11/1/2034	18,000	2,399	1,971	22,370
		11/1/2035	19,000	1,971	1,520	22,491
		11/1/2036	20,000	1,520	1,045	22,565
		11/1/2037	21,000	1,045	546	22,591
		11/1/2038	23,000	546	-	23,546
			<u>364,000</u>	<u>170,906</u>	<u>162,261</u>	<u>697,167</u>

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>		<u>Total</u>
2000 Sewer revenue bonds	4.75%	11/1/2008	\$ 6,000	\$ 9,144	\$ 9,001	\$ 24,145
		11/1/2009	6,000	9,001	8,859	23,860
		11/1/2010	6,000	8,859	8,716	23,575
		11/1/2011	7,000	8,716	8,550	24,266
		11/1/2012	7,000	8,550	8,384	23,934
		11/1/2013	7,000	8,384	8,218	23,602
		11/1/2014	8,000	8,218	8,028	24,246
		11/1/2015	8,000	8,028	7,838	23,866
		11/1/2016	8,000	7,838	7,648	23,486
		11/1/2017	9,000	7,648	7,434	24,082
		11/1/2018	9,000	7,434	7,220	23,654
		11/1/2019	10,000	7,220	6,983	24,203
		11/1/2020	10,000	6,983	6,745	23,728
		11/1/2021	10,000	6,745	6,508	23,253
		11/1/2022	11,000	6,508	6,246	23,754
		11/1/2023	11,000	6,246	5,985	23,231
		11/1/2024	12,000	5,985	5,700	23,685
		11/1/2025	13,000	5,700	5,391	24,091
		11/1/2026	13,000	5,391	5,083	23,474
		11/1/2027	14,000	5,083	4,750	23,833
		11/1/2028	14,000	4,750	4,418	23,168
		11/1/2029	15,000	4,418	4,061	23,479
		11/1/2030	16,000	4,061	3,681	23,742
		11/1/2031	16,000	3,681	3,301	22,982
		11/1/2032	18,000	3,301	2,874	24,175
		11/1/2033	18,000	2,874	2,446	23,320
		11/1/2034	19,000	2,446	1,995	23,441
		11/1/2035	20,000	1,995	1,520	23,515
		11/1/2036	21,000	1,520	1,021	23,541
		11/1/2037	22,000	1,021	499	23,520
		11/1/2038	20,000	499	-	20,499
			<u>384,000</u>	<u>178,247</u>	<u>169,103</u>	<u>731,350</u>

**City of Standish**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2008**

Description	Interest Rate	Date of Maturity	Amount of	Interest	Interest	Total
			Annual Maturity			
General obligation bonds -1999 water	4.75%					
		11/1/2009	\$ 46,000	\$ 25,603	\$ 25,603	\$ 97,206
		11/1/2010	47,000	24,510	24,510	96,020
		11/1/2011	50,000	23,394	23,394	96,788
		11/1/2012	53,000	22,206	22,206	97,412
		11/1/2013	55,000	20,948	20,948	96,896
		11/1/2014	58,000	19,641	19,641	97,282
		11/1/2015	61,000	18,264	18,264	97,528
		11/1/2016	64,000	16,815	16,815	97,630
		11/1/2017	67,000	15,295	15,295	97,590
		11/1/2018	71,000	13,704	13,704	98,408
		11/1/2019	74,000	12,018	12,018	98,036
		11/1/2020	78,000	10,260	10,260	98,520
		11/1/2021	81,000	8,408	8,408	97,816
		11/1/2022	86,000	6,484	6,484	98,968
		11/1/2023	90,000	4,441	4,441	98,882
		11/1/2024	98,000	2,304	2,304	102,608
	<u>1,079,000</u>	<u>244,295</u>	<u>244,295</u>	<u>1,567,590</u>		
1994 Water revenue bonds	5.50-5.90%					
		11/1/2008	\$ 50,000	\$ 2,913	\$ 1,475	\$ 54,388
		11/1/2009	50,000	1,475	-	51,475
		<u>100,000</u>	<u>4,388</u>	<u>1,475</u>	<u>105,863</u>	
Total business-type activities			<u>\$ 4,958,000</u>	<u>\$ 2,221,122</u>	<u>\$ 2,200,420</u>	<u>\$ 9,379,542</u>

**City of Standish**  
**Standish, Michigan**  
**Single Audit Report**  
**June 30, 2008**

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## Report on Schedule of Federal Awards

To the City Council  
City of Standish  
Standish, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. These financial statements are the responsibility of the City of Standish's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming opinions on the basic financial statements of the City of Standish taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
December 19, 2008

**City of Standish**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

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<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development Grant	10.760	<u>\$ 536,898</u>
U.S. Department of Transportation, Federal Highway Administration Passed through State of Michigan Highway Research Planning & Construction	20.205	<u>141,065</u>
Total expenditures of Federal Awards		<u><u>\$ 677,963</u></u>



**City of Standish**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2008**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the City Council  
City of Standish  
Standish, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Standish's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Standish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Standish's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as finding 08-1 and 08-2.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Standish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the City of Standish in a separate letter dated December 19, 2008.

The City of Standish's response to the significant deficiency identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Standish's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the City, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
December 19, 2008

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the City Council  
City of Standish  
Standish, Michigan

### Compliance

We have audited the compliance of the City of Standish with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Standish's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Standish's management. Our responsibility is to express an opinion on the City of Standish's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Standish's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Standish's compliance with those requirements. We did note one item identified as finding in the major program and have identified it as finding 08-3.

In our opinion, the City of Standish complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control over Compliance

The management of the City of Standish is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Standish's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted certain matters involving the internal control over compliance and its operation that we considered to be significant deficiencies and they are identified as findings 08-1 and 08-2.

A material weakness is a significant deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
December 19, 2008

**City of Standish**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2008**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_   X   yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_   X   yes    \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_   X   yes    \_\_\_\_\_ no

Identification of major programs:

*CFDA Number(s)*

*Name of Federal Program or Cluster*

10.760

Rural Development Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X   no

**City of Standish**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2008**  
**(continued)**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

**Finding 08-1 – Segregation of Duties**

**Specific requirement:** In accordance with government auditing standards, accounting duties should be segregated to help safeguard the City's assets from errors, and potential misappropriation. In the current year there was significant management turnover leaving even fewer employees available to cover these duties.

**Condition:** At time a few individuals have control over the recording and processing of certain financial data.

**Questioned Costs:** None

**Context:** A few individuals are performing a variety of accounting duties some of which are incompatible.

**Cause/Effect:** Procedures should be established to prevent significant deficiencies in the organization's ability to record, process, summarize, and report financial data.

**Recommendation:** We recommend the City make a list of the personnel and the accounting duties they perform and isolate any incompatible accounting functions that are the responsibility of one employee and reassign those responsibilities as soon as possible.

**Management Response:** The City's current accounting function is operated by the City Clerk and City Treasurer. The new City Manager will continue to review responsibilities, provide oversight, and attempt to segregate duties as much as possible giving weight to the staffing needs of the City and its fiscal responsibility to its citizens.

**City of Standish**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2008**  
**(continued)**

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**Finding 08-2 – Significant Journal Entries**

**Specific requirement:** In accordance with government auditing standards, financial reporting must be accurate and provide management and the governing board adequate information from which to make key decisions. In the current year there was significant management turnover leaving fewer employees available to keep the financial records up to date. Because of this situation we found it necessary to propose over 35 adjusting journal entries, and we felt that this year the original financial reports from the system were not accurate when compared to the final audited balances.

**Condition:** Financial data prior to the audit did not reflect the actual operations of the City.

**Questioned Costs:** None

**Context:** The City had turnover in several key positions this year and the operating activity was maintained with a few staff. The staff focused on paying bills and collections, but was not able to keep up with the financial reporting at year end.

**Cause/Effect:** Procedures should be established to prevent significant deficiencies in the organization's ability to report financial information.

**Recommendation:** We recommend the new and existing City employees work to catch up the general ledger activity as soon as possible after year end to make sure that it is providing accurate timely information to the management and the Council.

**Management Response:** The City will make sure that they have caught up the financial records and will work with the accountant's to make sure the Council is getting accurate information on a timely basis.



**City of Standish**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2008**  
**(continued)**

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**SECTION III - FEDERAL AWARD FINDINGS**

**Finding 08-3 – Advances of Funds**

**Specific requirement:** Grant funds can only be drawn down to pay for expenses as incurred and cannot be used for cash flow purposes.

**Condition:** The City drew funds down to pay vendors approved by the State and the vendors were not paid timely.

**Questioned Costs:** None

**Context:** Advances received were not paid to vendors.

**Cause/Effect:** Grant funds should only be drawn down on a reimbursement basis, or drawn to pay immediately to the approved vendors.

**Recommendation:** We recommend the City take measures to make sure any future grant draws are only for reimbursement of expenses or if advanced money the vendors are paid immediately.

**Management Response:** The City will follow procedures to make sure that grant advances/reimbursements are handled appropriately.

**City of Standish**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2008**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**Segregation of Duties**

In the current year the City had significant turnover in management and accounting duties were not reviewed to isolate incompatible accounting functions.



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December 19, 2008

Management and the City Council  
City of Standish  
Standish, Michigan

We have completed our audit of the financial statements of the City of Standish as of and for the year ended June 30, 2008 and have issued our report dated December 19, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and have already met with management. We will also be meeting with you on January 19, 2009.

These communications are intended solely for the information and use of management, the City Council, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*  
Saginaw, Michigan

Appendix I  
Communication to Those Charged with Governance

**Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated May 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter dated May 12, 2008 as it relates to the scope and timing of the audit.

**Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. The most sensitive accounting estimates and how they were derived by management are; compensated absences.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

**Difficulties Encountered During the Audit**

We had difficulties getting account balance reconciliations timely for us to perform our audit procedures, and we proposed a significant number of adjustments. Comments on the reconciliation process are detailed later in this communication.

**Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but the following adjustments:

#### All Business Type Funds and Combined and Water Fund

Fiscal year 2007 revenue billings were off by \$17,496. This was corrected in the current year.

#### Aggregate Remaining Funds

Fiscal year 2007 revenue billings were off by \$1,915. This was corrected in the current year.

Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

#### **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

#### **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

## **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Reports**

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## Appendix II

### Management Comments

In planning and performing our audit of the financial statements of the City of Standish as of and for the year ended June 30, 2008, we considered the City of Standish's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date December 19, 2008, on the financial statements of the City of Standish. Our comments and recommendations regarding those matters are:

### **Account Reconciliations**

In the current year, several accounts had not been reconciled for a significant portion of the year. The reconciliation process is a key control in the internal control system and it is therefore critical to insure the accuracy of financial reporting and detect irregularities. In addition, we noted that several of the accrual adjustments set up at June 30, 2007 were not reversed in the current year.

We recommend that a checklist with procedures be set up to make sure that all reconciliations are completed in a timely manner. This will make sure the City Council is receiving accurate financial information to make decisions.

### **City Council Financial Reports**

During this years audit it came to our attention that City Council is not seeing actual results compared to the adopted or amended budget. This type of report is a good way for the Council to monitor the overall operations of the City. This report should be completed and either run directly from or reconciled to the general ledger.

We recommend that new City management discuss the expectations of what the Council would like to see on a monthly basis and make sure that this information is presented at the monthly council meetings starting in calendar year 2009.

### **Credit Card Policy**

We noted that the City uses credit cards by department heads. While the use of the cards follows the purchasing policy with respect to limits, there is no formal credit card policy in place. While there is review of the activity prior to payment of the bill, the State of Michigan requires that a formal policy discussing the use of the credit cards be in place.

We recommend that the City develop a formal credit card policy.

### **Electronic Funds Transfer Policy**

As the City continues to use technology, we reviewed the procedures in place as they relate to electronic funds transfers. We noted that there is no formal policy as it relates to the creation and execution of electronic funds transfers. We do understand that with a small staff that some of these controls can be challenging, but there are certain steps and controls that can be put in place to protect the City's assets.

We recommend that City management review the transactions that are being handled electronically, and develop a formal policy that best meets the needs of the City's internal control system.

### **Tax Funds - Commingling of Funds and Tax Distributions**

In the current year, we were informed that tax funds were transferred to operations accounts to meet cash flow requirements of the City. These funds were not just the City's tax collections, but were other government's tax collections as well. As a result of this misused tax collections were not distributed in a timely manner to these municipalities as required by the State of Michigan.

We recommend that all tax funds be distributed as required by State law, and that all tax funds be maintained in the tax accounts as had been done in past years. As of the date of this letter the investigation as to the legality of the use of these funds is uncertain.

### **Expense Reports**

In the current year, the City Council began an investigation related to the alleged falsification of expense reimbursements by the former manager. The results of this investigation are now being litigated and as of the date of this letter there has not been any final resolution to this investigation.



## **Fund Transfers/Administrative Fees/Allocation of Benefits**

In the operation of a municipality, there are usually several general fund charges for salaries, expenses, fringe benefits, and other costs that may be shared between funds. In reviewing these charges at the City, there is very little formal documentation that supports the amounts being transferred/charged to the other funds. All the significant administrative charges and transfers were all budgeted in the current year in both funds. In addition, we noted that several hospitalization and retirement accounts appear to be being charged to one cost center and were not allocated directly in the current year.

We recommend that management review all the charges that are being assessed between funds, to make sure that each fund is paying its fair share of the administrative expenses.

## **Account Descriptions**

In reviewing the general ledger we noted that there were several accounts with generic descriptions. This causes a great deal of difficulty when someone who is not familiar with the account descriptions tries to work with the system.

As the new manager and treasurer step into their roles, we recommend that they review the general ledger chart of accounts and make sure that it is adequate for the City's reporting system.

## **Deficit Fund**

The City's Street Capital Project Fund began the year with a deficit of just under \$335,000 with the hope that costs would be held in check until the City sold the capital improvement bonds, which was done in 2008. However, the bond proceeds were not sufficient to cover the costs of this project, and at the end of the fiscal year the fund had accumulated a deficit of over \$630,000.

When a City accumulates a deficit fund balance, it must file a deficit reduction plan with the State of Michigan. This plan must outline the City's intent to alleviate the deficit in the most expedient amount of time.

We recommend that City management review the status of all its funds and evaluate the best method of alleviating this deficit, and file the required reports with the State of Michigan.